

## Producers Updated on Futures & Options Markets

The RMA Oklahoma City Regional Service Office is partnering with the Wakita Cooperative in northwestern Oklahoma to co-sponsor a series of instructional sessions by Country Star Marketing beginning in January on Futures and Options Markets.

**Sue Elniff**, the instructor for the sessions, is a marketing consultant with Country Star Marketing and a licensed commodities broker. Elniff helps agricultural producers use cash and futures markets. She recognizes that marketing is most often the missing link to the producer's entire farm program. She believes that producers today need to understand the different marketing tools that are available to them.

**Mike Brady**, a producer from Gray County, Kansas, who took the training earlier, said, "I had never used futures and options in attaining a price goal. Until I attended the sessions I didn't know how they worked or how to use them."

There will be five weekly sessions, beginning in January 2000 and continuing through February 2000, with Wakita Cooperative in Spearville, KS. The sessions are conducted in a hands-on classroom setting and the instructor uses different kinds of marketing scenarios as learning tools. Also, producers will be able to participate in options trading exercises

to understand actual marketing strategies and decision making.

For further information about this Futures and Options Markets project, contact Sue Elniff with Country Star Marketing at 316-855-2571.

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***"Until I attended the sessions, I didn't know how [futures and options] worked or how to use them." - Mike Brady, Wheat Producer, Gray County, KS***

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## DOPP's 'In the Money' in Pennsylvania

The Dairy Options Pilot Program (DOPP) has come up a winner in the stakes to educate U.S. farmers in risk management practices.

Administered by USDA's Risk Management Agency in cooperation with the Cooperative State, Research, Education, and Extension Service (CSREES), futures brokers, and the dairy industry, the program struck a chord with Pennsylvania agriculture leaders. They designed a preliminary program, dubbed "mini DOPP," to attract producers from the six Pennsylvania counties selected for the USDA training.

**Dr. Robert Parsons** of Penn State Extension explained the concept behind the mini-program and why farmers were handpicked carefully for early training. "The fine line our dairy farmers walk between profit and loss makes them wary of advice coming from remote USDA or from brokers who might be unaware of the concerns of Pennsylvania dairymen. But

## DOPP II Second Phase

**Arizona:** Maricopa  
**California:** Marin & Sonoma  
**Colorado:** Weld  
**Florida:** Gilchrist & Okeechobee  
**Georgia:** Morgan & Putnam  
**Idaho:** Jerome, Gooding & Twin Falls  
**Illinois:** Clinton & Washington  
**Indiana:** Elkhart & Marshall  
**Iowa:** Clayton, Dubuque & Winneshiek  
**Kansas:** Nemaha  
**Kentucky:** Adair & Barren  
**Maryland:** Carroll & Frederick  
**Massachusetts:** Franklin  
**Michigan:** Allegan, Clinton & Sanilac  
**Minnesota:** Fillmore & Wabasha  
**Missouri:** Webster & Wright  
**Nebraska:** Gage  
**New Mexico:** Chaves, Lea & Roosevelt  
**New York:** Madison & Wyoming  
**North Carolina:** Iredell  
**Ohio:** Ashtabula, Mercer & Wayne  
**Oklahoma:** Adair & Mayes  
**Oregon:** Marion & Washington  
**Pennsylvania:** Lebanon & Tioga  
**South Dakota:** Deuel & Grant  
**Tennessee:** McMinn  
**Texas:** Archer  
**Utah:** Cache & Utah  
**Vermont:** Washington  
**Virginia:** Franklin & Rockingham  
**Washington:** Skagit, Snohomish & Whatcom  
**Wisconsin:** Barron & Shawano

The second phase of DOPP will include 61 counties and 32 states. For more information, contact your local extension agent, visit the RMA website ([www.rma.usda.gov](http://www.rma.usda.gov)) or contact Lon Burke at: [Lon\\_Burke@wdc.usda.gov](mailto:Lon_Burke@wdc.usda.gov).

they do listen to peers who have a positive experience.”

Parsons added, “Dairy herds in this heavy milk-producing state average only 65 cows. If we assume each cow produces the average 16,800 pounds of milk per year, or million pounds a year for the herd, the producer selling at last year’s average price of \$14.50 per hundred-weight would have grossed \$160,000 before expenses. While this seems like a lot, so are expenses.”

In Pennsylvania, 278 producers attended the 4-hour training provided by brokers from the Chicago Mercantile Exchange and the New York Board of Trade on how to lock in milk price floors. The trainers taught “futures and options trading 101” and offered practical tips for selecting a broker: How to ask the right questions to make sure the broker understood dairy markets.

Almost a third of the class took the plunge into an exotic world of futures and options. During the 6- to 8-month duration of the program, participants agreed to buy options on as much as 600,000 pounds of milk, with the USDA contributing 80 percent toward the premiums charged for the options.

## Internet Resources

**Risk Management Agency**  
[www.rma.usda.gov](http://www.rma.usda.gov)

**Commodity Futures Trading Commission**  
[www.cftc.gov](http://www.cftc.gov)

**National Agricultural Risk Education Library**  
[www.agrisk.umn.edu](http://www.agrisk.umn.edu)

**USDA Web Site**  
[www.usda.gov](http://www.usda.gov)

**Cooperative State Research, Education, and Extension Service**  
[www.ree.usda.gov](http://www.ree.usda.gov)

For copies of risk management materials, contact an RMA Regional Service Office, or visit: [www.agrisk.umn.edu](http://www.agrisk.umn.edu). Then, click on “Risk Education Contacts.”

## Oklahoma Producers Lock in Price and Yield Protection

The primary objective of Oklahoma Risk Management meetings for producers and educators is to create an understanding of which production and price risk management alternatives are available and how the alternatives are related.

At the beginning of a “train the trainer” meeting **Erick Wehrenberg**, a young wheat producer and Executive Director of Oklahoma Wheat Growers Association from Blackwell, told **Kim Anderson**, Professor and Risk Management Specialist from Oklahoma State University, “if he tells producers what the price and weather will be, they will do the rest.” Kim Anderson responded, “That is what producers say but what they really want to know is how to manage both yield risk and price risk.”

After attending a Risk Management meeting in El Reno, **Brenda Sidwell**, an agent for Sidwell Insurance Agency, said, “I feel that I am better qualified to provide crop insurance to my clients because crop insurance may be used to manage yield risk. I now know how price risk alternatives may be used to manage price risk.” **Dean Fuxa**, a wheat and cattle producer from Marshall, added, “Crop insurance allows us to insure against yield loss and then use cash and futures contracts to lock in favorable prices.”

Oklahoma Cooperative Extension Service has developed a computer simulation model, Farm and Ranch Risk Management Model (FARRMM), that is used in a 9- to 12-hour producer workshop.

For additional FARRMM meetings and information, please visit [www.@dasnr.okstate.edu/market](http://www.@dasnr.okstate.edu/market)

## Calendar of Events

**Washington Mint Association Convention;** January 11 in Pasco, WA. Contact: Rod Christensen, Washington Mint Growers at 509-547-5538.

**New England: Successful Farming in the Millennium Workshop;** February 2 & 3 in Nashua, NH. Contact: Pam Kiessling, Raleigh, NC Regional Service Office USDA at 919-875-4880.

**Tennessee Grain and Soybean Conference;** February 17 in Dyersburg, TN. Contact: Chuck Danehower, University of Tennessee Agricultural Extension Service at 901-635-9551.

**USDA Agricultural Outlook Forum;** February 24 & 25 at Crystal Gateway Marriott Hotel in Arlington, VA. Contact: Raymond Bridge, USDA at 202-720-3050.

For other Risk Management Education meetings, please visit [www.rma.usda.gov](http://www.rma.usda.gov) or [www.agrisk.umn.edu](http://www.agrisk.umn.edu)

## Risk ..E-News..

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